

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1172

TREASURY DEPT WASHDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL HONG KONG

USMISSION OECD PARIS

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PASS FEDERAL RESERVE, LABOR AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF JULY 22-28

1. SUMMARY: INDUSTRIAL PRODUCTION AND FACTORY SHIPMENTS
CONTINUED TO RISE IN THE SECOND QUARTER AT HEALTHY ANNUAL RATES
OF 22 AND 17 PERCENT, RESPECTIVELY, EVEN THOUGH THIS WAS LESS
THAN FIRST QUARTER RATES.LEVEL OF FINISHED INVENTORIES AND
RATIO OF INVENTORIES TO SHIPMENTS CONTINUED TO DROP. EXPORT
AS WELL AS IMPORT VOLUMES ON THE OTHER HAND, RECORDED VERY
MODEST 1 AND 2 PERCENT INCREASES DURING SECOND QUARTER IN CONTRAST
TO LARGE GAINS IN THE FIRST QUARTER. EXPORT CONTRACT PRICES
IN YEN RECORDED ANOTHER MODEST INCREASE IN JUNE WHEREAS IMPORT
PRICES WERE VIRTUALLY UNCHANGED FROM MAY. WHILE CALL MONEY
MARKET RATES WERE RAISED BY0.25 PERCENTTO 7.25

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PERCENT PER ANNUM, THE BILL RATE AT 7.75 PERCENT WAS NOT

CHANGED. END SUMMARY.

2. IMPORT VOLUME (S.A.) JUMPED ABRUPTLY IN JUNE WHILE EXPORT VOLUME CONTINUED TO RISE MODERATELY. QUANTUM INDEX FOR IMPORTS (JEI 49, S.A.) RECORDED UNUSALLY LARGE MONTHLY GAIN OF 10 PERCENT IN JUNE, THOUGH THIS FOLLOWED DECLINES IN PRECEDING TWO MONTHS. QUANTUM INDEX FOR EXPORTS (JEI 45, S.A.) CONTINUED MODERATE BUT SOMEWHAT FASTER RISE IN JUNE. DURING THE SECOND QUARTER OF 1976, THE RISE IN BOTH JAPAN'S EXPORT AND IMPORT VOLUME SLOWED DOWN SHARPLY TO BETWEEN 1 AND 2 PERCENT FROM THE VERY RAPID FIRST QUARTER INCREASES. QUANTUM INDEX FOR IMPORTS AT END OF JUNE 1976 HAD RECOVERED TO THE LEVEL OF AUG 1974 BUT REMAINED BELOW THE PEAK LEVEL RECORDED IN NOV 1973, BY 6.7 PERCENT.

QUANTUM INDICES OF EXPORTS AND IMPORTS, S.A.

(1970-100; PCT CHANGE FROM PRIOR PERIOD IN PAREN,

CUSTOMS BASIS, DENOMINATED IN YEN, S.A.)

	EXPORTS	IMPORTS
JAN-MAR AVG.	196.9 (17.8)	132.8 (8.6)
APR-JUNE AVG.	199.6 (1.4)	135.5 (2.0)
APR	195.4 (MIN 5.0)	132.6 (MIN 3.0)
MAY	198.9 (1.8)	130.4 (MIN 1.7)
JUNE	204.5 (2.8)	143.4 (10.0)

3. EXPORT CONTRACT PRICE INDEX IN YEN (JEI 80, N.S.A.) CONTINUED TO RISE IN JUNE. MONTHLY INCREASE HAS ACCELERATED DURING PAST FEW MONTHS. EXPORT PRICES OF METALS AND TEXTILES ROSE SHARPLY IN JUNE WHEREAS PRICES DECLINED FOR CHEMICALS AND TRANSPORTATION EQUIPMENT. IMPORT CONTRACT PRICE INDEX IN YEN (JEI 88, N.S.A.), ON THE OTHER HAND, DROPPED IN JUNE, THOUGH ONLY SLIGHTLY BY 0.1 PERCENT, DUE PRIMARILY TO ARRIVAL OF CHEAPER PRICED RAW SUGAR (DOWN 25 PERCENT FROM MAY), ACCORDING TO PRESS REPORT ALTHOUGH IMPORT PRICES OF TEXTILES AND LUMBERS CONTINUED TO RISE IN JUNE.

EXPORT AND IMPORT CONTRACT PRICE INDICES

(1970-100, N.S.A., PERCENT CHANGE FROM PRIOR MONTH IN PAREN)

	EXPORTS	IMPORTS
APR	140.1 (0.3)	215.3 (0.1)
MAY	140.8 (0.5)	216.6 (0.6)

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JUNE	141.6 (0.6)	216.3 (MIN 0.1)
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4. CALL RATES WERE RAISED AGAIN, BY 0.25 PERCENT, EFFECTIVE ON JULY 22. THIS WAS THE SECOND CALL RATE INCREASE IN LESS THAN TWO MONTHS, FOLLOWING THE SAME 0.25 PERCENT RATE INCREASE ON JUNE 12. CALL RATE (UNCONDITIONAL CURRENTLY STANDS AT 7.25 PERCENT PER ANNUM WHILE BILL RATE REMAINS UNCHANGED AT 7.75 PERCENT PER ANNUM SINCE JUNE 25.

5. INDUSTRIAL PRODUCTION (JEI 212, S.A.) ROSE IN JUNE, THOUGH BY A MODERATE 0.5 PERCENT, FOLLOWING THE 1.8 PERCENT DECLINE REGISTERED IN MAY, THE FIRST DROP SINCE NOV 1975. SHIPMENTS (JEI 239 (S.A.) CONTINUED TO RISE IN JUNE, WITH A MODERATE 0.5 PERCENT INCREASE OVER PRIOR MONTH. AFTER EXCLUDING SHIPS, BOTH PRODUCTION AND SHIPMENTS RECORDED SLIGHTLY LARGER INCREASES. LEVEL OF FINISHED GOODS INVENTORIES FELL AGAIN IN JUNE FROM PRIOR MONTH, BY 1.1 PERCENT. AS RESULT, INVENTORY TO SHIPMENTS RATIO (JEI 253 (S.A.) RECORDED SECOND STRAIGHT MONTH OF DECLINE. JUST PRODUCTION RECOVERY REFLECTED INCREASED PRODUCTION OF TRANSPORTATION EQUIPMENT, NON-FERROUS METALS, AND IRON AND STEEL. PRODUCTION OF INDUSTRIAL AND ELECTRICAL MACHINERY, WHICH LED THE FIRST QUARTER'S RAPID SURGE, DRPPED IN JUNE. (FOR ADDITIONAL DETAILS SEE TOKYO 11292).

PRODUCTION, SHIPMENTS AND INVENTORY/SHIPMENT RATIO
(INDEX, 1970-100, S.A.; PERCENT CHANGE FROM PRIOR MONTH IN PAREN)

	MIN. AND MFG. PRODUCTION	PRODUCERS' SHIPMENTS	INVENTORY TO SHIPMENTS RATIO
APR	126.2 (3.0)	128.5 (-1.6)	123.2 (1.5)
MAY	123.9 (-1.8)	128.8 (0.2)	123.1 (-0.1)
JUNE	124.5 (0.5)	129.5 (0.5)	121.2 -1.5)

(PRELIM.)

6. TABLE BELOW GIVES BROADER PERSPECTIVE OF JAPAN'S RECOVERY PHASE. PRODUCTION INCREASE DURING THE SECOND QUARTER WAS NO QUITE AS RAPID AS IN THE FIRST QUARTER. IN FACT, RATE OF INCREASE IN PRODUCTION OUTPUT HAS SLOWED DOWN SHARPLY SINCE MAY THIS YEAR AS COMPARED TO THE VERY RAPID SURGES THAT PREVAILED IN EARLY PART OF THIS YEAR. PRODUCERS' SHIPMENTS SHOWS SIMILAR PICTURE, THOUGH RATE OF SLOWDOWN IN THE SECOND QUARTER WAS MUCH SHARPER

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THAN IN PRODUCTION, EVERTHELESS, INVENTORY TO SHIPMENTS RATIO CONTINUED TO DECLINE AT VERY RAPID RATE THROUGHOUT THE FIRST SIX MONTHS OF 1976. PRODUCTION AND SHIPMENTS OF NON-DURABLES, AS WELL AS CONSTRUCTION MATERIALS, CONTINUED TO RISE IN THE SECOND QUARTER WHILE THOSE OF CAPITAL GOODS AND DURABLE GOODS DECLINED. PRODUCTION OF TRANSPORTATION EQUIPMENT CONTINUED TO RISE DURING APR-JUNE, REFLECTING STRONG DEMAND FROM ABROAD.

INDUSTRIAL PRODUCTION, SHIPMENTS, INVENTORY AND INVENTORY TO SHIPMENTS RATIO
(PERCENT CHANGE FROM PRIOR QUARTER OF QUARTERLY AVERAGES OF INDICES, S.A.)

1975	1976
APR- JUL- OCT-	JAN- APR-

	JUNE	SEP	DEC	MAR	JUNE
PRODUCTION					
MIN.&MFG.	3.1	2.0	0.8	5.8	5.1
SHIPMENTS					
MIN. & MFG.	3.6	0.8	2.1	5.7	3.9
INVENTORY OF					
FIN. GOODS					
MIN. & MFG.	-4.1	0.5	0.2	-0.5	-1.8
INV/SHIP					
RATIO	-7.5	-0.3	-1.9	-5.8	-5.6
SHOESMITH					

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